

# HELZBERG DIAMONDS.

January 26, 2011

Chairman Ben Bernanke  
c/o Ms. Louise L. Roseman  
Director, Division of Reserve Bank Operations and Payments Systems  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Dear Chairman Bernanke:

We are writing today in support of the current Federal Reserve Board plans for debit card interchange. We are opposed to any changes to the current proposed plans.

The proposed debit card interchange fee and routing reforms are long overdue and provide us and consumers a true place at the negotiating table with the banks. We were pleased to see the Board acknowledge that initially interchange fees flowed to the merchant from the card issuer. We see no reason for interchange to flow from merchants to card issuers as those issuers save money on every debit card transaction when used in lieu of a check. For this reason, among others, the final rules can move further toward the check system that has served the nation and the economy very well for many years without interchange fees.

We have a difficult time planning our expenses with the current debit card system – a Byzantium set of rules, prices, and limitations that are nearly impossible to digest. We are confident the final debit card reforms the Federal Reserve will issue this April will take us one step closer to fair and transparent debit card fees, and will provide much-needed certainty as we plan ahead, budget, and make hiring decisions.

As a retailer, we face the customer and the marketplace every day and relish the opportunity to compete. All that we have asked for is a truly level playing field with the issuers. We look forward to the end of exclusive network arrangements, which should open the door to competition that will benefit both merchants and consumers on all debit transactions. We have watched our cost of accepting debit cards increase year after year powerless to impact or even predict what these cost increases will be. These debit fees have continued to increase since the Dodd-Frank Wall Street Reform bill was enacted – further proof we are subject to a broken payments card market.

As business-people, we compete for customers on price and service. The card companies, however, have centrally set interchange fees for over a decade, and have increased these fees with complete disregard to the impact on merchants and consumers. As with other costs, we expected these fees to decrease with technology improvements, but that has not been the case. Now, with debit cards rapidly replacing paper checks, the card companies have more opportunities to abuse their position.

The current system of unchecked central price-fixing by the card companies has led to an inefficient market with complex and unpredictable rates, resulting in billions of unearned economic rents for the card issuers. We look forward to the implementation of the debit interchange fee and routing reforms this summer that will provide much-needed relief to Main Street businesses and our customers. We understand that some of the big banks who benefit from these excessive fees want to delay your work and are willing to take extreme measures to attempt to do so. If they are successful, it will simply allow them to further injure retailers, consumers and our economy as a whole with their anti-competitive behavior. We urge you to move forward to implement these reforms and continue to move toward the beneficial model set by the check system.

Thank you.



Lonnie J. Lawton  
Sr. Vice President/CFO